

The opinion in support of the decision being entered today was not written for publication and is not binding precedent of the Board.

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte FRANK D. TUTTLE

Appeal No. 2006-0222
Application 09/518,837¹

ON BRIEF

Before BARRETT, LEVY, and BLANKENSHIP, Administrative Patent Judges.

BARRETT, Administrative Patent Judge.

DECISION ON APPEAL

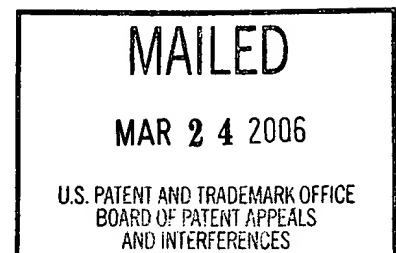
This is a decision on appeal under 35 U.S.C. § 134(a) from the non-final rejection of claims 1-42.

We reverse.

BACKGROUND

The invention relates to computer-implemented method for auditing loan compliance with government loan lending and

¹ Application for patent filed March 3, 2000, entitled "Loan Compliance Auditing System and Method."



licensing requirements; a software program on a computer-readable medium capable of performing the method; or a system.

Claim 1 is reproduced below.

1. A computer-implemented method for auditing loan compliance with government loan lending and licensing requirements, comprising the steps of:

a. allowing a user to display and enter loan audit compliance data, comprising the steps of:

- i. receiving and displaying loan audit data on a user interface of a computer system; and
- ii. storing the loan audit data in a loan data database in the computer system;

b. allowing a user to interactively build loan compliance rules, comprising the steps of

- i. enabling the user to interactively build loan compliance rules on a user interface of the computer system; and
- ii. storing the loan compliance rules in a loan compliance rules database in the computer system; and

c. responding to a loan audit request received from a user on a user interface of the computer system, comprising the steps of:

- i. retrieving the loan compliance rules from the loan compliance rules database;
- ii. retrieving the loan audit data from the loan data database;
- iii. comparing the loan compliance rules to the loan audit data to determine a loan audit compliance result; and
- iv. notifying the loan audit request user of the determined loan audit compliance result.

THE REFERENCE

The examiner relies on the following reference:

Acosta et al. (Acosta) 6,643,625 November 4, 2003
(filed December 17, 1999)

THE REJECTIONS

Claims 1-20, 22-33, 39, 41, and 42 stand rejected under 5 U.S.C. § 102(e) as being anticipated by Acosta.

Claims 21, 34-38, and 40 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Acosta.

We refer to the non-final rejection (pages referred to as "FR__") entered November 4, 2004, and the examiner's answer (pages referred to as "EA__") entered May 31, 2002, for a statement of the examiner's rejection, and to the supplemental appeal brief (pages referred to as "Br__") filed December 21, 2004, and reply brief (pages referred to as "RBr__") filed July 21, 2005, for a statement of appellant's arguments.

DISCUSSION

Claims 23 and 24 are independent claims

Claims 23 and 24 recite a "software program embodied on a computer-readable medium incorporating the method as recited in claim" 2 or 22, respectively. Claims 2 and 22 are computer-implemented method claims. There is some question whether claims of this form are true dependent claims or whether

they are, in fact, independent claims which incorporate by reference the limitations of the independent claims they refer to. See Ex parte Moelands, 3 USPQ2d 1474, 1477 (Bd. Pat. App. & Int. 1987) (Examiner-in-Chief Lovell, dissenting in part); Ex parte Porter, 25 USPQ2d 1144, 1147 (Bd. Pat. App. & Int. 1992); In re Warmerdam, 33 F.3d 1354, 1358, 31 USPQ2d 1754, 1757 (Fed. Cir. 1994) (claim 5). In our opinion, claims 23 and 24 are independent claims because they are in a different statutory class of subject matter (manufacture rather than method). Nevertheless, this only affects how the claims should be treated for fee collection purposes,

Analysis

"Anticipation requires the presence in a single prior art disclosure of all elements of a claimed invention arranged as in the claim. A prior art disclosure that 'almost' meets that standard may render the claim invalid under § 103; it does not 'anticipate.'" Connell v. Sears, Roebuck & Co., 722 F.2d 1542, 1548, 220 USPQ 193, 198 (Fed. Cir. 1983).

The preamble of claim 1 recites a "computer-implemented method for auditing loan compliance with government loan lending and licensing requirements, comprising the steps of" The interpretation of this limitation is critical to the outcome of the rejection. The examiner's rejection does not address the "computer-implemented" limitation in the preamble or provide any

reasons why, as a matter of claim interpretation, the limitation should not be given patentable weight. Appellant argues that the present "invention is a computer-implemented method for auditing loan compliance with government loan lending and licensing requirements, whereas the Acosta invention is a computer-assisted method for auditing loan portfolios and loan servicing portfolios" (Br7). We interpret the claim preamble to require all of the steps to be performed by computer.

The first step of claim 1 recites "allowing a user to display and enter loan audit compliance data, comprising the steps of: i. receiving and displaying loan audit data on a user interface of a computer system; and ii. storing the loan audit data in a loan data database in the computer system." The examiner points to column 2, lines 13-17 (R3). Appellant argues that this portion of Acosta describes storing a computer record for each loan in a portfolio of loans on a server and does not teach the limitation at issue (Br8; RBr15).

At this point in the claim, there are no restrictions on what is meant by "loan audit data." The "loan audit data" and "storing the loan audit data in a loan data database in the computer system" read on, for example, "storing on a server a computer record for each loan in a portfolio" (col. 2, lines 16-17) and storing loan origination records and loan

servicing records (col. 3, lines 40-49). A computer-implemented program allows entry of the data.

The second step of claim 1 recites "allowing a user to interactively build loan compliance rules, comprising the steps of i. enabling the user to interactively build loan compliance rules on a user interface of the computer system; and ii. storing the loan compliance rules in a loan compliance rules database in the computer system." The examiner points to column 2, lines 13-17, and column 5, lines 30-37 (R3). Appellant argues that Acosta describes generating and storing a set of audit questions customized to stored criteria, regulations, and parameters that are used by an auditor to manually answer a set of related questions determine compliance with each regulation or parameter and to calculate an Exception Rule (RBr16-17). It is argued that the rules in the present invention are computer instructions representing mathematical equations derived from laws and regulations (RBr17).

The examiner responds that appellant's arguments are not convincing as the argued features are not found in the claims (EA9-10), presumably referring to the argument that the rules are computer instructions representing mathematical equations derived from laws and regulations.

At this point in reading the claim, there are no restrictions on what is meant by "loan compliance rules." There

is no requirement yet that the loan compliance rules have to be capable of being compared to loan audit data by the computer and, therefore, no implied requirement that the rules represent mathematical equations or rules capable of being implemented by a computer. The "loan compliance rules" can be rules that are applied by a human loan auditor. The "loan compliance rules" and "storing the loan compliance rules in a loan compliance rules database in the computer system" broadly read on "storing on the server rules which comprise each current and historical legal regulation and any investor-specific parameter applicable to each type of loan" (col. 2, lines 17-19) and "storing on the server a set of questions to determine compliance with each regulation or parameter" (col. 2, lines 20-22), and "periodically adding questions to the set of questions as new regulations or parameters are promulgated" (col. 2, lines 23-24).

The third step of claim 1 recites "responding to a loan audit request received from a user on a user interface of the computer system, comprising the steps of: i. retrieving the loan compliance rules from the loan compliance rules database; ii. retrieving the loan audit data from the loan data database; iii. comparing the loan compliance rules to the loan audit data to determine a loan audit compliance result; and iv. notifying the loan audit request user of the determined loan audit compliance result." The examiner points to column 2,

lines 23-43, and column 5, lines 52-59, and column 4, line 67, to column 8, line 7 (R3-4). Appellant argues that Acosta describes a checklist of questions for an auditor to manually answer during the review for determining an Exception Rate, whereas appellant's invention reviews every data element within a loan file for compliance and there is no subjective analysis or room for errors in human judgment (RBr18). It is also argued that there is no disclosure in Acosta of "notifying the loan audit request user of the determined loan audit compliance result" (RBr19). It is argued that the compliance rules of appellant's invention are patentably distinguishable from the checklist questions presented to an auditor in Acosta because the compliance rules comprise mathematical computations and comparisons which can be processed by a computer without human intervention, whereas determining the answers to the checklist questions in Acosta require the skills of a trained auditor and human judgment (RBr19-20).

The examiner responds that a loan auditor receives a loan audit request, retrieves a set of related questions similar to the claimed compliance rules, and applies the questions (rules) to the loan data (EA10-11).

It is at this point that the computer-implemented limitation of the preamble becomes important. If the method steps did not have to be performed by a computer, and permitted performance by a human loan auditor, we would agree with the examiner that

claim 1 is anticipated. However, claim 1 requires that all of the steps are "computer-implemented." Step "iii. comparing the loan compliance rules to the loan audit data to determine a loan audit compliance result," in Acosta is performed by a human loan officer and not by the computer. This step implicitly requires that the loan compliance rules and the loan audit data be in a form capable of being manipulated and tested by a computer. In this respect, we agree with appellant's earlier argument that the rules in the present invention are impliedly required to be computer instructions representing mathematical equations or logical relationships derived from laws and regulations since the computer must operate on specific computer algorithms based on mathematical/logical relationships. Therefore, we find that the "computer-implemented" step "iii. comparing the loan compliance rules to the loan audit data to determine a loan audit compliance result" is not taught by or anticipated by Acosta. The rejection of claim 1 is reversed.

Since it was known from Acosta (and the description of the background, specification, page 2) for a human loan auditor to manually perform the step of comparing loan compliance rules with loan audit data, it might be argued that appellant claims doing with a computer what was already known to do manually. The disclosure is of a very high level of abstraction and essentially leaves it to one of ordinary skill in the art to implement the

computer method once it is suggested to use a computer. It is has been proposed that a known business method which differs only in being performed by a computer should be presumed to be obvious.² However, this is not yet the law. The examiner did not enter an obviousness rejection and we do not know what the examiner's rationale would have been or what appellant would have argued in response. We decline to enter a new ground of rejection on the issue of obviousness.

Independent claims 2 and 22-24 each require, directly or by incorporation by reference, the same or similar limitations of a "computer-implemented method for auditing loan compliance with

² For example, proposed H.R. 1332, "The Business Method Patent Improvement Act of 2001" states in Section 4, Nonobviousness, proposed amending 35 U.S.C. § 103 to add:

(d)(1) A business method invention shall be presumed obvious under this section if the only significant difference between the combined teachings of the prior art and the claimed invention is that the claimed invention is appropriate for use with a computer technology, unless--

(A) the application of the computer technology is novel; or

(B) the computer technology is novel and not the subject of another patent or patent application.

(2)(A) An applicant or patentee may rebut the presumption under paragraph (1) upon a showing by a preponderance of the evidence that the invention is not obvious to persons of ordinary skill in all relevant arts.

(B) Those areas of art which are relevant for purposes of subparagraph (A) include the field of the business method and the field of the computer implementation.

government loan lending and licensing requirements" (emphasis added) and "comparing the loan compliance rules to the loan audit data to determine a loan audit compliance result," and are not anticipated by Acosta for the reasons stated with respect to claim 1. The obviousness rejection of dependent claim 21 does not cure the deficiencies with respect to independent claim 2. Therefore, the rejections of claims 2-24 are reversed.

Independent claim 25 recites a "system for auditing loan compliance with government and loan lending requirements" (preamble) having a "loan audit server communicating with the user interface that: ... (iii) compares the loan compliance rules to loan data associated with the load audit request to determine loan audit results." This requires the comparison to be performed by the server, which limitation is not met by a human loan officer performing the comparison. Therefore, claim 25 is not anticipated by Acosta. The obviousness rejection of dependent claims 34-38 and 40 does not cure the deficiencies with respect to independent claim 25. Therefore, the rejections of claims 25-42 are reversed.

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CONCLUSION

The rejections of claims 1-42 are reversed.

REVERSED



LEE E. BARRETT
Administrative Patent Judge



HOWARD B. BLANKENSHIP
Administrative Patent Judge

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) AND
) INTERFERENCES
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LEVY, Administrative Patent Judge, concurring.

I agree with my colleagues as to the reversal of the rejections for the reasons set forth in the decision. However, based upon the facts of the case, I would have introduced a new ground of rejection of at least claim 1 under 35 U.S.C. § 103(a) as being unpatentable over Acosta.

As stated in the Decision (page 9):

Since it was known from Acosta (and the description of the background, specification, page 2) for a human loan auditor to manually perform the step of comparing loan compliance rules with loan audit data, it might be argued that appellant claims doing with a computer what was already known to do manually.

Thus, the issue arises as to whether it would have been obvious to an artisan to have computer implemented the claimed step of comparing loan compliance rules with loan audit data to determine a loan audit compliance result. In my opinion, Acosta suggests the obviousness of this step.

Upon careful review of Acosta, it is noted that Acosta "relates to servicing of loan portfolios and loan servicing portfolios" (col. 1, lines 7-8). Acosta discloses (col. 1, line 25, to col. 2, line 15):

The legal and regulatory requirements and investors parameters frequently change, and financial institutions must expend considerable resources to assure that all of their loans are in full compliance with the current applicable regulations.

For mortgage companies to comply with all of the various requirements for auditing loan originations, the

current state of the art is to use a standard checklist, regardless of the type of loan portfolio audit.

When portfolios of loans are sold to investors or are purchased from originators or other investors, audit checklists must be reviewed by several people to insure that each loan complies with currently applicable regulations.

. . . .

[V]arious attempts have been made by others to provide computerized quality control systems, for example, the ACES audit system of Engineered Business Systems, Inc., of Coconut Creek, Fla., provides automated loan selection based on user defined criteria, standard checklists, automated underwriting review, and automated tracking of supervisor review. The ACES system does not provide checklists automatically customized to audit sampling criteria, nor a system for auditing servicing portfolios, not [sic, nor] a means for storing and reporting on audit recommendations pertaining to exceptions. The ACES system does not address the special needs of loan servicing auditor, where special regulations and audit checklist are required.

. . . .

[T]he invention comprises computer-assisted method of auditing loan portfolios and loan servicing portfolios wherein loans are a plurality of types

From the disclosure of Acosta of improving over the current system of using a standard checklist regardless of the type of audit; the known attempts of computerized systems, such as the ACES audit system, and the disclosure of Acosta that the invention comprises a computer-assisted method of auditing loan portfolios, I find that the reference would have suggested to an artisan using the computer to assist the disclosed method step of "comparing the loan compliance rules to the loan audit data to

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determine a loan audit compliance result," as recited in claim 1,
by having the computer carry out the noted step of the method.



STUART S. LEVY
Administrative Patent Judge

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